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What Georgians are Thinking about Taxes II

The Fiscal Research Center sponsored telephone surveys of Georgians in the spring of 2003 and the fall of 2004 to take the pulse of public opinion on a variety of fiscal issues. This policy brief is the second in a series that summarizes some the attitudes of Georgians on a select number of fiscal issues in both 2003 and 2004.

Overview of the Survey

The surveys asked a number of questions about specific revenue and expenditure issues. The first question of interest for this policy brief asked which way the participant would favor closing the shortfall in the state's budget: through decreased spending, or increased taxes, or a combination of a decrease in spending and an increase in taxes. A follow-up question was asked depending on how the respondent answered the first question. If the respondent was in favor of decreasing expenditures only she was asked what programs she favored cutting. If she was in favor of raising taxes only, she was asked what taxes she would prefer to be increased. If she was in favor of the third option, she was asked both follow up questions. This brief focuses on the results of the initial budget balancing question and the corresponding follow up questions.

Poll Results

For the first question regarding the choice of mechanism to close the budget gap, there was no statistically significant difference in the responses between the years 2003 and 2004.¹ A majority of

the respondents, roughly 56 percent, preferred that the state primarily reduce expenditures to eliminate the budget shortfall. Incremental cuts in spending accompanied by similar increases in taxes were preferred by about one third of the respondents. Approximately 6 percent of the respondents favored raising taxes as the main method of closing the budget gap.

In the follow up question, the two most popular categories for cutting expenses were parks, green space and natural resources (preferred by 30 percent of those respondents) and transportation (supported by 28 percent of respondents). Cutting law enforcement, courts, prisons and homeland security was supported by 17 percent, while 10 percent selected the general "other" category.

For those who selected some form of tax increase the two most popular taxes to increase were tobacco and liquor taxes, garnering 53 and 52 percent respectively. The third most popular tax to increase was the corporate income tax, favored by 32 percent, while 24 percent favored increasing sales taxes.

A particularly dramatic change from 2003 to 2004 is the percentage of respondents

who would support an increase in the gas tax. In 2003, 21 percent of respondents preferred increasing the gas tax to help close the budgetary gap. That number fell sharply in 2004 to only 8 percent. A potential explanation for the fall off in support for increasing the gas tax could be the dramatic increase in gas prices in the period. For most of 2003 Georgia gas prices hovered in the \$1.30 range. However by fall of 2004 gas prices had increased by roughly 40 percent to an average of \$1.80.

Can Georgia close its budgetary shortfall and satisfy the stated preferences of its citizens? It does not appear that is likely. The two most popular expenses to cut, transportation and green space, parks and natural resources only account for 9 percent of the total State budget. Only 10 percent chose the category of "other" expenditures.

The respondent's view of satisfying the budget shortfall via tax increases does not look any more promising. The two most popular areas of tax increases are the "sin taxes" on alcohol and tobacco. However the State received only 1 percent of total tax revenue from each in 2002. Corporate income tax, the third most popular tax increase in the survey, only contributed 4 percent to total tax revenue in 2002.

The first graph below illustrates the top three preferred methods of closing the budgetary shortfall by cutting expenses and the share of the budget each represents. Also included are Georgia's two largest categorical budgetary programs with the percentage of respondents who favored cutting those expenses. The second chart is similar to the first but uses percentage of respondents that preferred to increase a particular tax and the percentage share of that tax relative to total state tax revenue. As can be seen from those graphs, the respondent's choices to close the budget gap are not realistic ways to deal with the hypothetical budget problems.

NOTES:

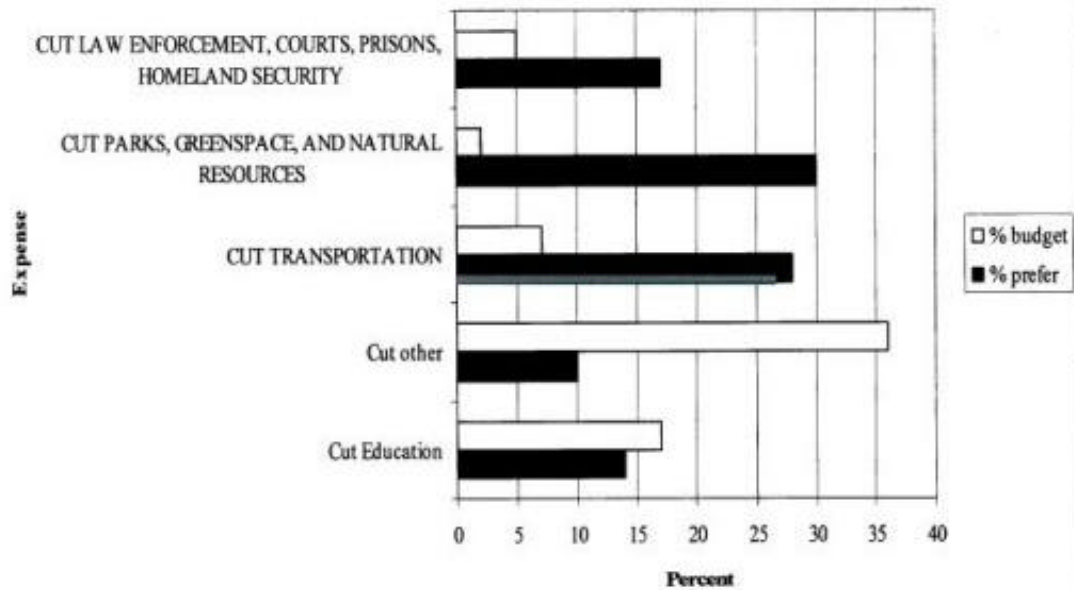
¹As there is no statistically significant difference in the responses for 2003 and 2004 for the questions analyzed in this brief, when only one year's response rate is included, that is for 2004.

ABOUT THE AUTHORS

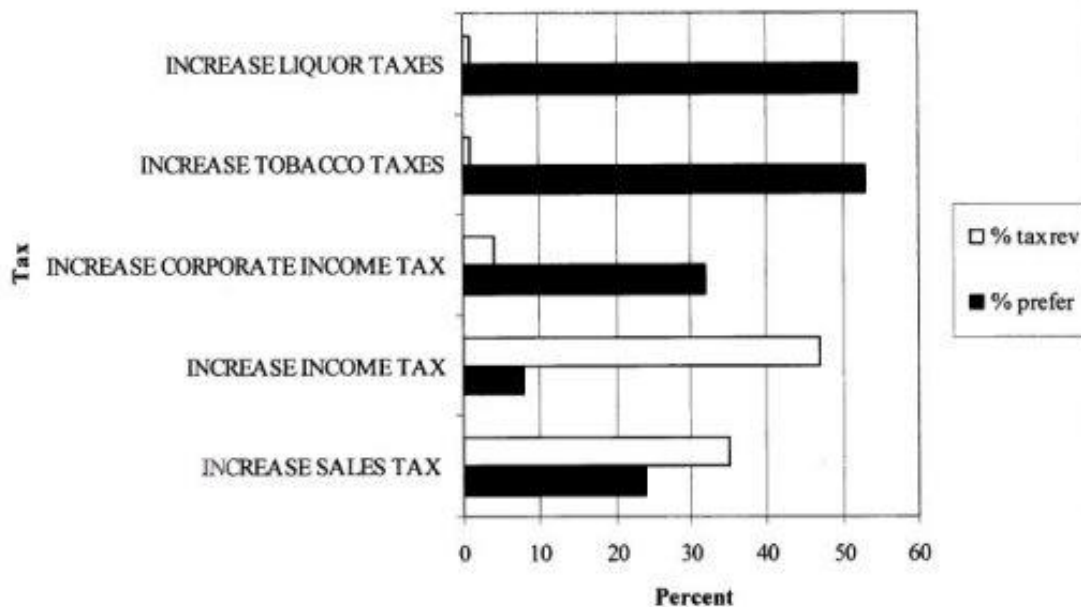
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Preferred Expenditure Cuts and Share of Budget



Preferred Tax Increases Relative to Tax Revenue



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